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"COAG's National Reform Agenda: human capital"

presented at the ABS Community Indicators
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COAG National Reform Agenda – Human Capital
Speech for ABS Community Indicators Workshop
6/9/06

Slide 2

Challenges for the coming years

- Ageing population leads to less labour force participation and a greater dependency ratio

Population ageing and lower fertility are projected to reduce overall labour force participation - immigration will not fill the gap, and the skilled immigrant market is very competitive - Western Europe - EU - Poland - 400,000

Slide 3

Three Waves of Reform

- First wave of reform from the early 1980's saw the floating of the dollar, the deregulation of financial markets and the effective end of tariff barriers designed to protect Australian industry.
- Second wave of reform from mid 1990s – National Competition Policy sought to increase competition.
- The growth in productivity resulting from NCP is likely to decline over the coming years

As the incremental benefit from the first two waves of reform diminish, recent strong rates of productivity growth may prove difficult to sustain

Slide 5 Why have a human capital agenda

- This measure builds on the basic production input of labour measure where all labour is thought to be equal. The concept of human capital recognises that not all labour is equal and that the quality of employees can be improved by investing in them. The education, experience and abilities of an employee have an economic value for employers and for the economy as a whole
- There are tangible forms of capital such as buildings, shares and production facilities – Gary S Becker says ‘these are all forms of capital in the sense that they are assets that yield income and other useful outputs over long periods of time’
- There are intangible forms of capital such as education, training and healthcare (often referred to as human capital) – can’t be separated from the ‘human’
- Prof Gary S. Becker – “there’s hardly a country that has achieved rapid economic growth without significant investments in elementary and secondary schools and finally in higher education” (with the exception of eg Arab shiekdoms)
- Becker – ‘skills don’t last a lifetime. They depreciate. Any company has to recognise that not only is the human capital of their employees a major asset, it is also a depreciating asset that needs continuing investment’

- The Productivity Commission has been requested to report on the economic benefits of the National Reform Agenda by November 2006.

Slide 6 Optins diagram)

*** Policy Options to improve productivity and participation

- [graph based on Melbourne Institute modelling undertaken for the DTF (Vic) on the impact of various policies on participation and various sources on the determinants of productivity growth]

Slide 7 (Health aims)

Giving focus to our health system to improve effectiveness and efficiency, and to do more preventive work so as to enable more people to be active participants in our economy and society

Slide 8 (education aims)

Better educational participation - more productive outcomes from education - finding ways for more people - very young, those in transitin, and those older, to achieve more educationally - a strong focus on individual achievement

Slide 10

*****Links to social capital**

- Other terms associated with social capital –
- Social participation
- Social attachment
- Social inclusion/exclusion
- Social deprivation
- Community networks

Slide 11

- Australian Early Development Index being trialled in all States in Australia through the federally funded Communities for Children initiative

Slide 12 - first fly

*****COAG's Human Capital Progress Measures**

- Process
- Federal-State Relations issues
- Timing issues: Human Capital Agenda will take a longer time to implement than previous reforms

2.1 on COAG Indicative outcomes

This is an important link between human capital and social capital.

Massive body of evidence shows up

- 1) All children are born wired for feelings and ready to learn.

From conception to start of kindergarten is the stage of life where changes and development is fastest.

Every bit as important as literacy and numeracy skills later in life, resources should be devoted to strategies fostering the development of curiosity and self direction in learning, the ability to resolve conflict with peers and reducing disparities among children as they enter school.

- 2) Early environments matter and nurturing relationships are essential.

There are significant developmental impacts of early experiences, care giving relationships and environmental threats. Early experiences clearly affect the development of the brain yet 0 – 3 is not a policy focus. Things like poor nutrition, specific infections, environmental toxins and drug exposure have profound effects.

Good policy provides parents with viable choices about developing their child and how the child is cared for and stimulated

- 3) needs of young children should be addressed as society changes.

Changing parental work patterns and transforming family life – most kids are raised by working parents – time stresses, poverty, making ends meet.

- 4) Interactions among early childhood science, policy, and practice are problematic and demand dramatic rethinking..

There is no doubt, from literature, that we can intervene successfully in young childrens' lives – we need a strong research and evaluation base and continuing good data.

The investment in individuals is parallel to the investment in communities – human capital and social capital meet. The old African proverb says it takes an entire village to raise a child. It's hard to measure yet we know that parents who have the choice and resources to select the neighbourhoods in which they raise their kids often spend a lot of time checking out child care, schools, parks, housing options, recreation facilities, and other elements that might affect their childrens' safety, friendships and achievements.

Slide 13 ¹

CHILD

How the brain develops affects the child's social/emotional and cognitive development

FAMILY

The *Cultural Capital* level

Is affected by:

Level of

- Family income
- Educational attainment
- Employment
- Stimulation
- Support
- Nurture
- Style of parenting
- Rich and responsive language environment

NEIGHBOURHOOD

The *Social Capital* level

Is affected by:

Level of:

¹ ©Stephanie Page

- Cohesion
- Mobilisation of resources
 - Formally (programs)
 - Informally (inclusion of children)
- Stability (transience of population)
- Multiple risk factors

SOCIETY

The *Human Capital* level

Is affected by:

Policies and provision of programs, eg:

- Childcare
- Family support
- Public health
- early intervention for children with additional needs
- School
- Training institutions
- Work incentives
- Social security system
-

As we write our plans in South Australia to meet this COAG outcome we are focussing on programs such as:

- **Completion of the roll out of the Family Home Visiting Programs state wide**

This program is a nurse-based home visiting program with 34 visits over 24 months and results in Improved parent-child attachment, infant nutrition, immunisation, child health and well being and parenting skills.

- **Universal access to antenatal programs through a variety of settings**

It involves implementation of best practice antenatal guidelines being developed jointly by Health, Community Services and Education Ministerial Councils by providing training programs organised through professional associations (GP divisions, allied health etc) and results in a smooth transition between ante natal, birthing services and family support services following birth. Increased access to antenatal services for Aboriginal women

- **Audit and rationalisation of existing infrastructure to ensure integration of care and education.**

This involves Joint planning between Commonwealth and State government of all new services and introduces childcare places into under utilised preschools. The aim is to ensure preschool education is available in childcare centres, so that government investment is maximised, there is increased workforce participation, improved quality in programs.

- **Universal access to preschool education the year before school (2 years for Aboriginal children)**

This involves provision of preschool teachers in childcare centres to provide quality programs for 4 year olds, including Aboriginal community based childcare centres and results in improved school readiness.